

U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20590

STATEMENT OF JOHN P. OLSSON, DEPUTY UNDER SECRETARY, DEPARTMENT OF TRANSPORTATION, BEFORE THE SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS, HOUSE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE, REGARDING H.R. 7072, AND SIMILAR BILLS, TUESDAY, JUNE 8, 1971.

Mr. Chairman and members of the Committee:

I appreciate this opportunity to appear before you today to discuss H.R. 7072 and similar bills amending the Airport and Airway Development and Revenue Acts of 1970.

The thrust of these bills is to preclude the use of monies in the Airport and Airway Trust Fund to meet expenses attributable to research and development and the operation and maintenance of the airway system each year in which appropriations are not made of the minimum amounts for airport development and airway facilities specified in Section 14 of the Act. The Department opposes the enactment of these bills. We do not believe they are necessary to the achievement of the long-range goals established in the Airport and Airway Act, and we believe that, in some instances, the rigidity they would impose might be harmful to the effective administration of the airport and airway program.

Just last month we marked the first anniversary of the enactment of the Airport/Airway Act. At the time the Act was passed, we regarded it as the most significant legislation in the aviation field since the enactment of the Federal Aviation Act in 1958. The Act was needed to give us during the decade of the 1970's the means for improving and expanding our airports and for upgrading and modernizing the airway system to ensure the safe and

efficient movement of air traffic. The Act fulfilled that need most satisfactorily, and established firmly in the field of aviation the principle that those receiving special benefit from the aviation services provided by the Government--the users of the airport and airway system--should pay through special charges sums needed for the development and operation of the system. Let me say that our enthusiasm over the enactment of the Act is as keen on its first anniversary as it was on the day President Nixon signed it into law.

We recognize that controversy exists respecting the administration of the Act, particularly with respect to funding the development of airports and the installation and improvement of airway facilities, and that this has contributed impetus to the introduction of the amendments in the bills before the Committee. Therefore, I would like to take a brief look at our funding to date, our future funding plans, and how these square with the long-range funding goals of the Act, as well as discuss the general operation of the Trust Fund during FY 1971 and 1972.

First, let's take a look at funding for airport development. The declaration of policy of the Airport/Airway Act states that the obligational authority during the period July 1, 1970, through June 30, 1980 for airport assistance should be \$2.5 billion. So far, the Department's budget estimates provide for the obligation for airport development and planning grants of \$180 million in 1971, and \$220 million in 1972. The FAA Ten-Year Plan under the Act for the subsequent three fiscal years calls for the obligation of \$280 million in 1973, and \$285 million in each of the fiscal years 1974 and 1975. Under any foreseeable circumstances we would expect these amounts to be made available. The Administration's budget plans and legislative proposals for the FY 1972 budget and beyond have been predicated upon these

planning amounts. From the standpoint of meeting the ten-year goal of the Act our program is right on the target.

On an annual basis, the Act authorizes not more than \$15 million of planning grant obligations and not less than \$280 million of development grant obligations. Thus, after the initial start-up period of the airport program our plans call for making funds available at approximately the annual obligational levels authorized by the Act. We will be requesting appropriations for the cash payments to meet these obligations as required. Therefore, the true program level for the airport program is best measured by the obligations made during a given fiscal year rather than by the liquidating appropriations in that year.

Now let's turn to the funding on the airway side. The Act states that the annual obligational authority during the period July 1, 1970, through June 30, 1980, for the establishment and improvement of air navigational facilities should be no less than \$250 million. The Department's budget for airway facilities contained \$238 million for 1971 and \$250 million for 1972. Our planning for the subsequent three fiscal years calls for the obligation of at least \$250 million for each of those years. Thus, the total amount we would obligate for airway facilities for the five-year period is expected to be at least one billion 250 million dollars which, again, is on schedule from the standpoint of meeting the 10-year goal of \$2.5 billion contemplated by the Act.

In the area of research and development, we are exceeding the annual amounts stated in the legislative history of the Act. At the time of the hearings on the bill we contemplated an annual program of some \$50 to \$60 million. For 1971 our budget for research and development was \$62 million, and for 1972 it is \$73 million. The larger outlays we will be making for research and development early in the 10-year program should enable us to

achieve greater cost effectiveness from our capital investments for airway-facilities than otherwise would be possible as we move through the 1970's.

Mr. Chairman, I have here for the record a table which shows these funding levels by major category for the fiscal years 1971 and 1972.

Now I would like to discuss the manner in which we are applying to our airport/airway program the sums in the trust fund available from the aviation user taxes and from the General Fund of the Treasury.

There has been considerable confusion and misinformation prevalent concerning the operation of the trust fund. Let me take just a minute here to clarify the situation and hopefully put things into the proper perspective.

First, there are certain expenditures which cannot be funded out of the trust fund. These include both the operations aspects of safety regulations and enforcement, and the associated R&D. Another non-trust fund item is the operation of National and Dulles Airports. These programs are financed by separate appropriations from the general fund of the Treasury and are not related to the trust fund or the user taxes.

Secondly, that portion of the airspace system considered to be chargeable to military operations is not financed from user charges, and properly so. While from a bookkeeping standpoint these expenses are included in the trust fund, the source of funds is the general fund, not user charges.

Thus, the expenditures actually financed by aviation user charges are limited to the areas directly benefiting the aviation user. The Airport/Airway Act states that amounts in the trust fund shall be available, as provided by appropriation Acts, for making expenditures for (1) airport

assistance; (2) construction of air traffic control and air navigation facilities; (3) research and development with respect to the airway system; and (4) the operation and maintenance of airway facilities, including supporting services. All of these four major areas may be financed from trust fund monies if appropriations Acts so provide, whether those monies are derived from user taxes or other taxes.

Our current estimate of user charge receipts indicates that it will not be until the tenth year that user charges would cover completely the cost of services rendered under the Act. In fact, during FY 1971 and 1972 it is estimated that user charges will cover only about fifty percent of the cost of trust fund activities.

I would also like to take this opportunity to clarify the true status of the so-called "balance" in the trust fund at the end of FY 1971. The regular FAA appropriation for FY 1971 was not made from the trust fund. However, the FY 1971 supplemental appropriation for the FAA was made from the trust fund. The effect of this was a build up of a balance of approximately \$403 million in the trust fund by the end of FY 1971, which normally would have been applied to eligible Airport/Airway programs in that year. This balance will be completely eliminated during FY 1972 as the proper adjustment is made to balance out the two-year period.

To return now to the specifics of H.R. 7072, we would not like to see absolute minimums established respecting the funding of airport assistance and airway facilities, nor a provision in the law prohibiting the use of trust fund monies for R&D and O&M when such minimums are not met. We regard all four of the major functions financed by the Act as important, and the

law should remain flexible so that special emphasis may be placed on any one of these areas in a particular year as necessary to meet the need at hand. We believe it appropriate to allow all four of the areas to be financed by any monies in the trust fund. In fact, toward the end of the decade the Act is designed to provide sufficient income from user taxes to meet nearly all of the costs of all of the eligible functions carried out under the Act, including the operation and maintenance of the airway system. And this is as it should be. Certainly the crucial service afforded the users by air traffic controllers and systems maintenance personnel need not take a back seat to any of the other major parts of the program. The costs incurred in the provision of this service not only are proper ones to be charged to the users, but they are deserving of a very high priority in the application of available tax revenues to the various facets of the airport/airway program.

In summary, we do not believe that provisions in the Airport/Airway Act for the administration of the trust fund require amendment along the lines proposed in the bill. As we have shown, our current program is proceeding at a pace which should insure the attainment of the long-range funding goals of the Act for airport assistance and the installation of airway facilities. At the level for 1971 (\$170 million for airport development), we have made a dramatic jump in obligations over previous years when under the old Federal Airport Act the maximum annual authorized level was \$75 million, and actual appropriations sometimes fell short of that level.

As far as airway facilities are concerned, again we are very close to the funding schedule prescribed by the Act, and if you take into account the

added emphasis we are placing on R&D, I would say we are a step ahead in this field.

We believe it is essential that trust fund monies be available for all aspects the airport and airway development program. All of these functions are essential to affording the users a safe and efficient system of airports and airways, and the Act should remain flexible to allow effective administration of these functions, including necessary increases or decreases in funding on a temporary basis to accommodate urgent needs in different areas of the program.

Mr. Chairman, that concludes my prepared statement. Now I would be happy to answer any questions the Committee may have.

AIRPORT/AIRWAY PROGRAM - FY 1971 and 1972

<u>Appropriation/Estimate</u>	<u>Amounts Mentioned in P.L. 91-258</u>	<u>1971 Approp</u>	<u>1972 Estimate</u>	<u>1971 & 1972 Total</u>
Operations	-	\$ 902.8	\$ 991.8	\$ 1,894.6
Airway System				
Investment/Development	\$ 300.0	300.4	322.8	623.2
Facilities and Equipment	(250.0)	(238.0)	(250.0)	(488.0)
Research and Development	(50.0)	(62.4)	(72.8)	(135.2)
Grants-in-Aid for Airports:				
Planning Grants	15.0	10.0	15.0	25.0
Development Grants				
Obligations	(280.0)	(170.0)	(205.0)	(375.0)
Appropriation to Liquidate Obligations	-	60.0	92.0	152.0
Aviation Advisory Commission	<u>2.0</u>	<u>1.5</u>	<u>-</u>	<u>1.5</u>
Total Appropriations		\$1,274.7	\$1,421.6	\$2,696.3
<u>Funding:</u>				
General Fund Appropriations		\$1,097.2	\$ 293.1	\$1,390.3
User Tax Revenues Applied		177.5	1,128.5	1,306.0
Estimated User Tax Revenues (Existing & Proposed Legislation)		580.0	726.0	1,306.0

